

No. 9/8/DPM

Jakarta, March 30, 2007

CIRCULAR LETTER

To

ALL COMMERCIAL BANKS

Subject : *Mudharabah* Interbank Investment Certificate

With the enactment of Bank Indonesia Regulation Number 9/5/PBI/2007 dated March 30, 2007 concerning Sharia Interbank Money Market (State Gazette of the Republic of Indonesia Number 53 of 2007, Supplement to the State Gazette of the Republic of Indonesia Number 4715), and Bank Indonesia Circular Letter Number 9/7/DPM dated March 30, 2007 concerning Sharia Interbank Money Market, Sharia Banks, UUSs, or Conventional Banks may conduct transactions using PUAS Instruments with *mudharabah* contracts. Therefore, it is deemed necessary to regulate *Mudharabah* Interbank Investment Certificate in a Bank Indonesia Circular Letter as follows.

I. GENERAL PROVISIONS

1. Conventional Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business on conventional basis.
2. Sharia Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 conducting business based on sharia principles.
3. Sharia Division, hereinafter referred to as UUS, is :

a. a work...

- a. a work unit in a Conventional Bank head office performing functions as principal office of sharia branch offices and/or sharia units; or
 - b. a work unit in a Conventional Bank branch office located overseas performing functions as principal office of sharia sub-branch offices and/or sharia units.
4. Sharia Interbank Money Market, hereinafter referred to as PUAS, is a short-term financial transaction among banks conducting business based on sharia principles either in Rupiah or foreign currency.
 5. PUAS Instrument is a financial instrument based on sharia principles issued by Sharia Bank or UUS and used as a transaction means in PUAS.
 6. *Mudharabah* Interbank Investment Certificate, hereinafter referred to as IMA Certificate, is a certificate issued by Sharia Bank or UUS to be used as a short-term investment means in the PUAS with *mudharabah* contract.
 7. *Mudharabah* is a placement of funds from a fund owner (*shahibul maal*) to a fund manager (*mudharib*) to conduct a specific business activity using profit and loss sharing method or revenue sharing method between both parties based on a ratio mutually agreed in advance.
 8. IMA Certificate Issuer is a Sharia Bank or UUS.
 9. IMA Certificate Buyer is a Sharia Bank, UUS, or Conventional Bank.
 10. Commercial Bank Daily Report, hereinafter referred to as LHBU, is a report prepared and submitted by reporting banks to Bank Indonesia on daily basis.

II. CHARACTERISTICS AND TERMS

IMA Certificate has characteristics and terms as follows.

1. Issued based on *Mudharabah* contracts;
2. May be issued either in Rupiah or foreign currency;

3. May...

3. May be issued with or without paper (scripless), containing information at least :
 - a. nominal value of investment ;
 - b. profit sharing ratio;
 - c. investment maturity;
 - d. indication of last month IMA Certificate rate prior to distribution;
4. With a maturity of one day (O/N) up to 365 (three hundred and sixty five) days;
5. Tradable prior to the maturity date.

III. TRANSACTION MECHANISM

1. Sharia Banks or UUSs may issue IMA Certificate.
2. Sharia Banks, UUSs, or Conventional Banks may buy IMA Certificate.
3. IMA Certificate Issuer shall inform to IMA Certificate Buyers concerning, among others :
 - a. nominal value of investment ;
 - b. profit sharing ratio;
 - c. investment maturity;
 - d. indication of last month IMA Certificate rate prior to distribution.
4. In the event of any transfer of ownership of IMA Certificate, the latest IMA Certificate Buyer shall be required to notify IMA Certificate Issuer. This is intended to make IMA Certificate Issuer easier in paying either nominal value of investment on maturity date or margin.

IV. TRANSACTION SETTLEMENT

1. On the issuance of IMA Certificate, IMA Certificate Buyer shall transfer funds to IMA Certificate Issuer's account amounting to IMA Certificate nominal value.

2. On the...

2. On the maturity date of IMA Certificate, IMA Certificate Issuer shall transfer funds to IMA Certificate Buyer's account amounting to IMA Certificate nominal value.
3. The payment of margin shall be settled monthly on the first working day of the following month.

V. REPORTING

IMA Certificate Issuers and IMA Certificate Buyers shall report IMA Certificate transactions to Bank Indonesia through the LHBU system in accordance with Bank Indonesia regulatory provisions concerning LHBU.

VII. CONCLUDING PROVISIONS

Provisions in this Circular Letter shall come into force as of March 30, 2007.

For the public to be informed, it is ordered that this Bank Indonesia Circular Letter be promulgated in the State Gazette of the Republic of Indonesia.

Please be informed accordingly.

BANK INDONESIA,

EDDY SULAEMAN YUSUF
DIRECTOR OF MONETARY MANAGEMENT

DPM